People, Health and Well-being

RaiaDrogasil S.A.

EARNINGS PRESENTATION:

3Q18

Taking Close Care of People´s Health and Well-Being during all Times of their Lives

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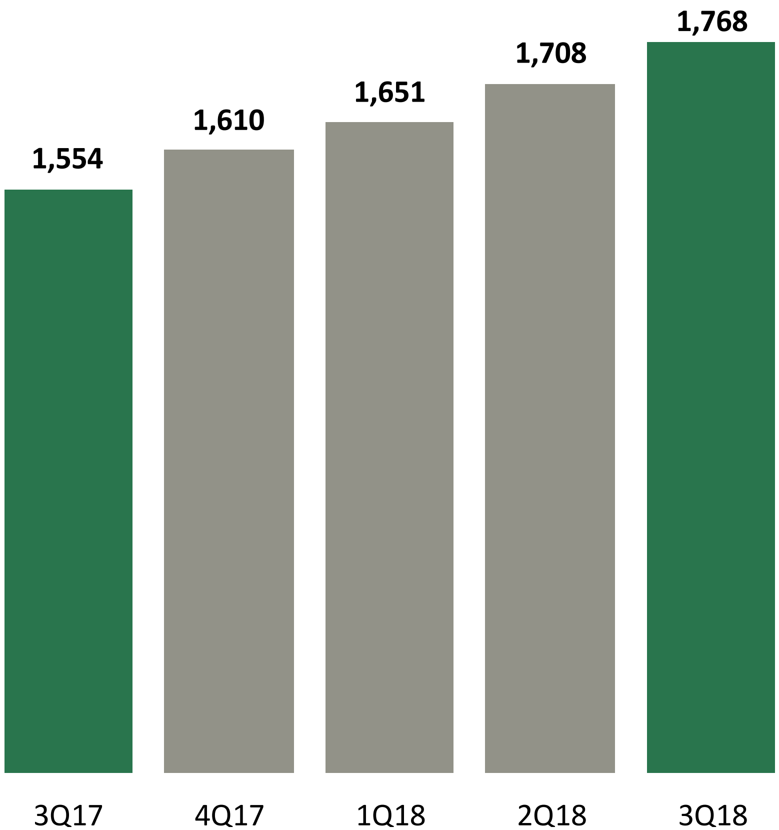
QUARTERLY HIGHLIGHTS:

- **Drugstores:** 1,768 stores in operation (64 openings and 4 closures)
- **Gross Revenues:** R$ 3.9 billion, a 10.2% growth (0.8% retail same-store sales growth)
- **Gross Margin:** 28.3% of gross revenues, a 0.2 percentage point decrease
- **EBITDA:** R$ 295.3 million, a margin of 7.5%, a 0.8 percentage point pressure
- **Net Income:** R$ 131.1 million, 3.3% of net margin
- **Cash Flow:** R$ 0.7 million free cash flow, R$ 1.4 million of total cash generation

STORE DEVELOPMENT

In the 3Q18, we opened 64 new stores and closed 4. At the end of the period, 36.4% of our stores were still maturing. We reiterate the guidance of 240 new stores per year for both 2018 and 2019.

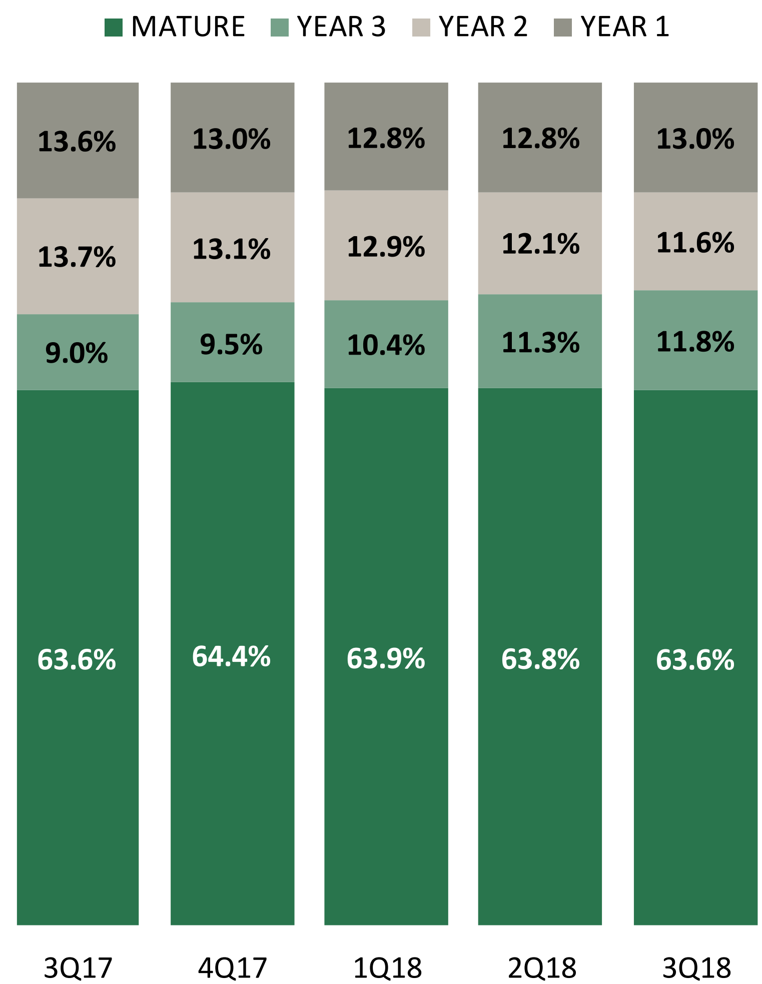
Store Count*



	3Q17	4Q17	1Q18	2Q18	3Q18
Openings	54	60	44	62	64
Closures	(6)	(4)	(3)	(5)	(4)

* Includes three 4Bio stores.

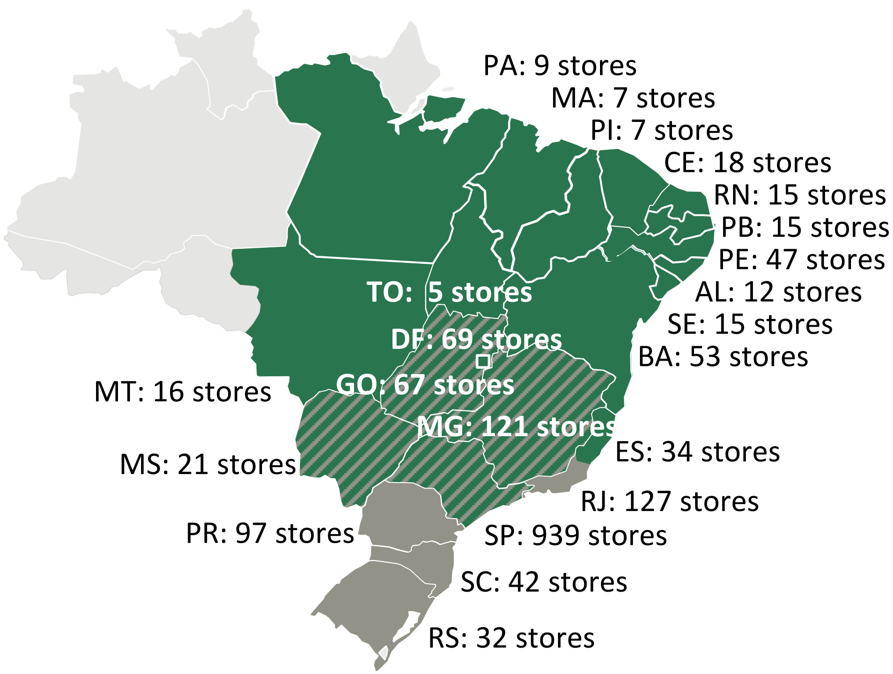
Age Structure of Store Portfolio



WE GAINED 0.3 PERCENTAGE POINT OF NATIONAL MARKET SHARE

We reached 12.0% of national market share, an increase of 0.3 p.p. under a context of increased competition. Expansion in SP reduced from 93 LTM stores in 3Q17 to 76 in 3Q18, but maintained constant share in units sold.

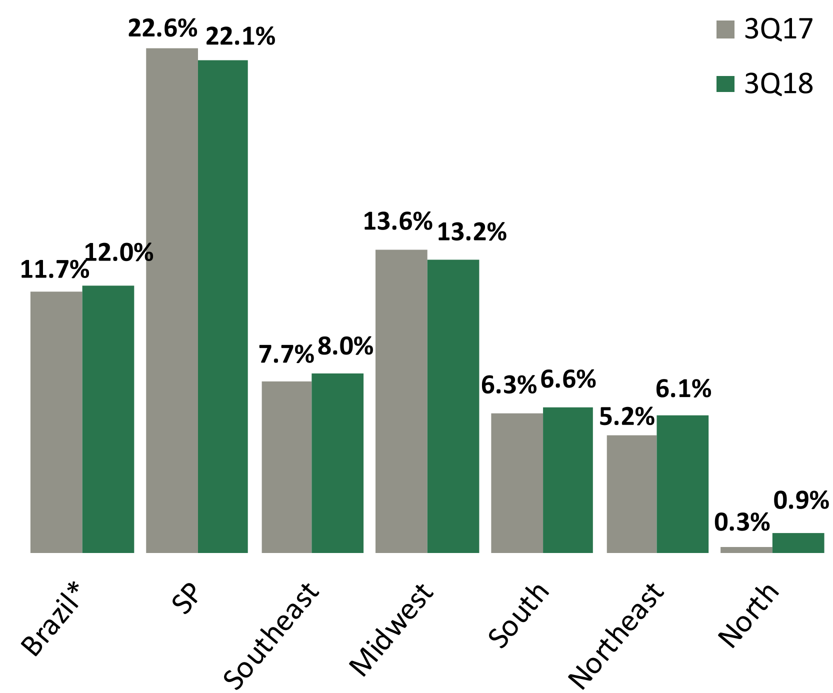
Geographic Presence



Total: 1,768 stores

- Raia: 802 stores
- Drogasil: 943 stores
- * Farmasil: 20 stores
- * 4Bio: 3 stores

Market Share



LTM Openings	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
São Paulo	125	122	107	101	89	93	82	75	79	76
Other States	71	90	105	114	122	119	128	137	141	154
Total	196	212	212	215	211	212	210	212	220	230
São Paulo %	*63.8%*	*57.5%*	*50.5%*	*47.0%*	*42.2%*	*43.9%*	*39.0%*	*35.4%*	*35.9%*	*33.0%*

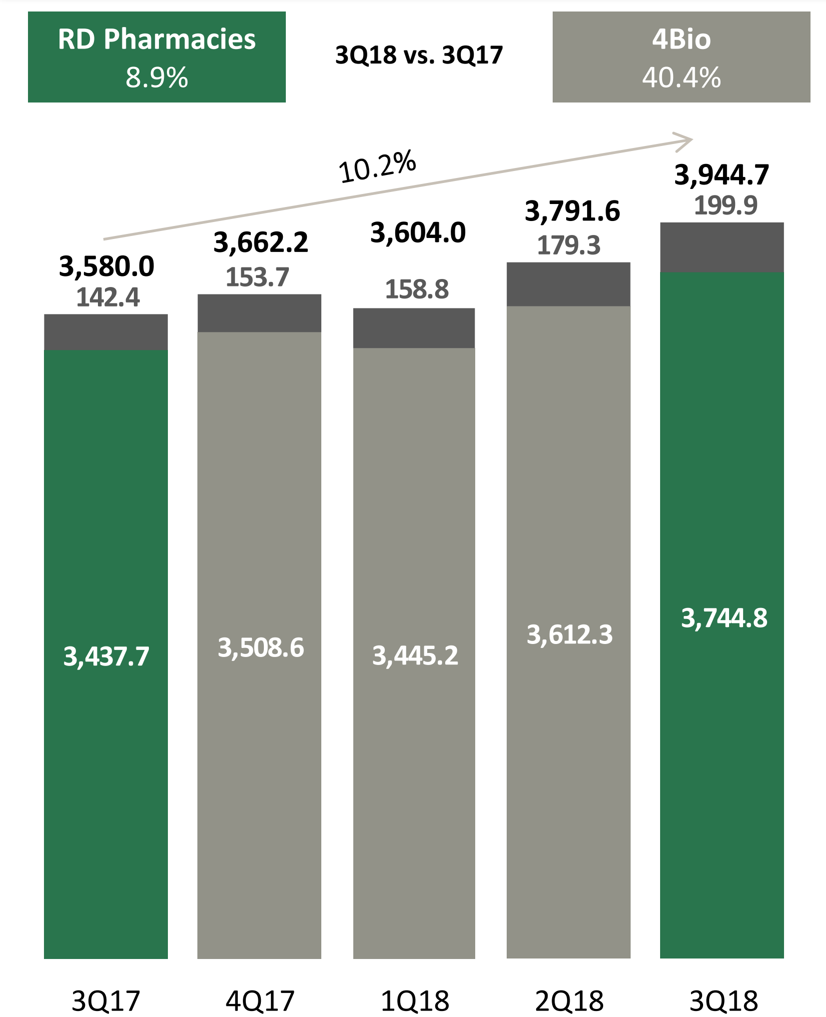
Source: IMS

* Includes 4Bio only for Brazil total.

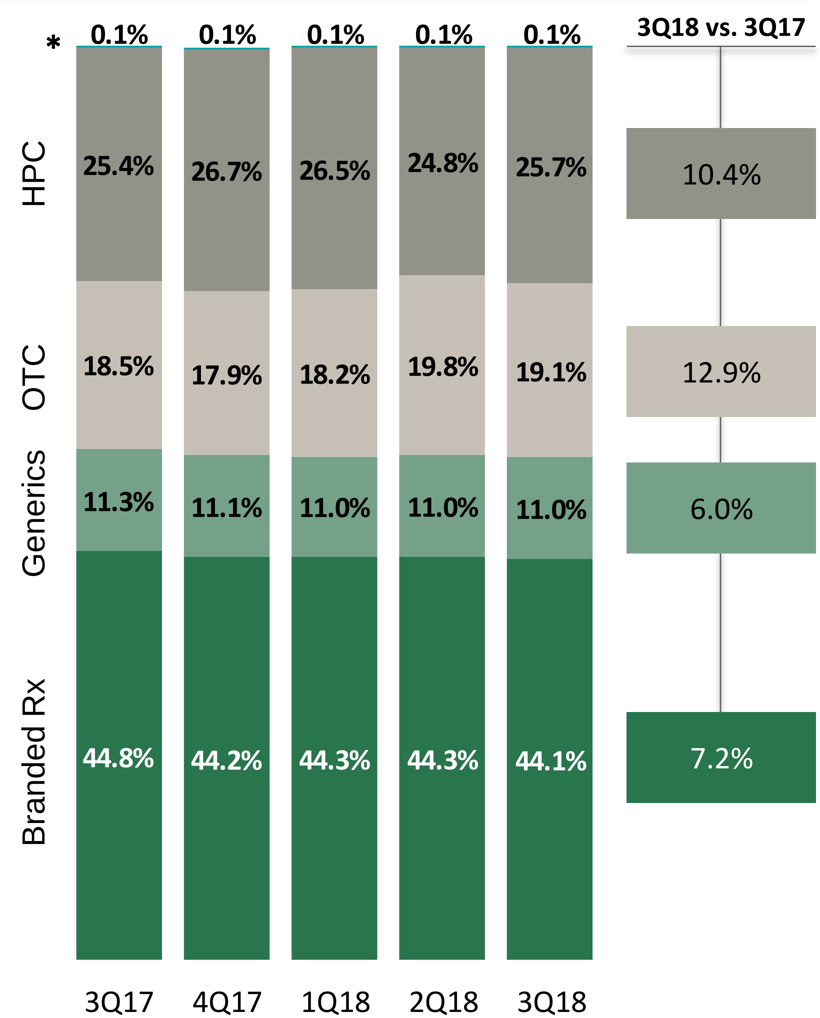
GROSS REVENUES INCREASED 10.2%, WITH 8.9% FOR RETAIL AND 40.4% FOR 4BIO

OTC was the highlight (0.6 p.p. mix increase), benefitting from Branded Rx switches (0.4 p.p.). Generics lost 0.3 p.p. due to a change in mix and pricing strategy that penalized average ticket but accelerated unit sales.

Consolidated Gross Revenues



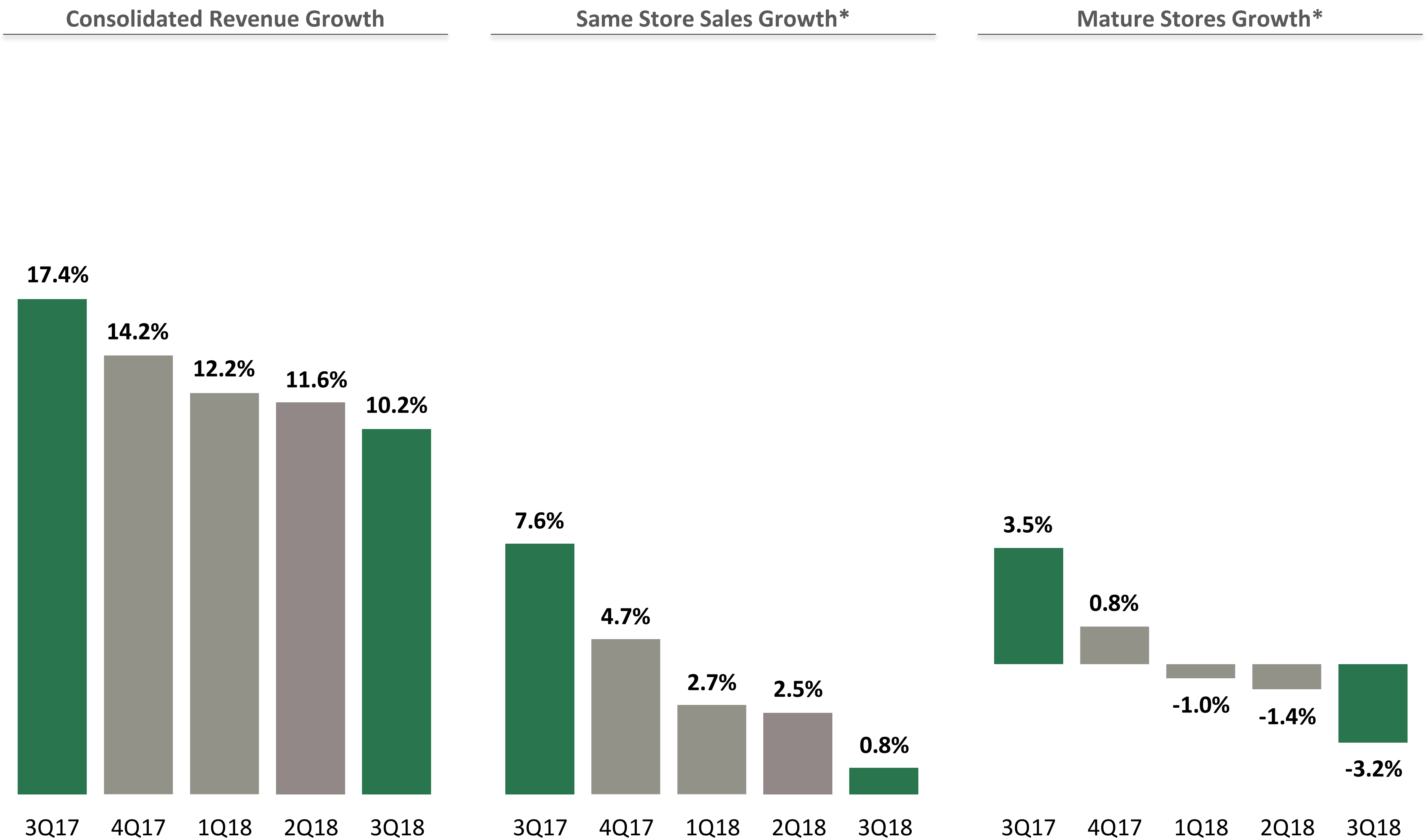
Retail Sales Mix



* Services

REVENUE GROWTH OF 10.2%, WITH -3.2% FOR MATURE STORES

Mature stores declined 3.2%, considering a negative calendar effect of 0.3%, driven mainly by a price deflation in generics. Sequential deceleration was driven by the strong comp base of the 3Q17.



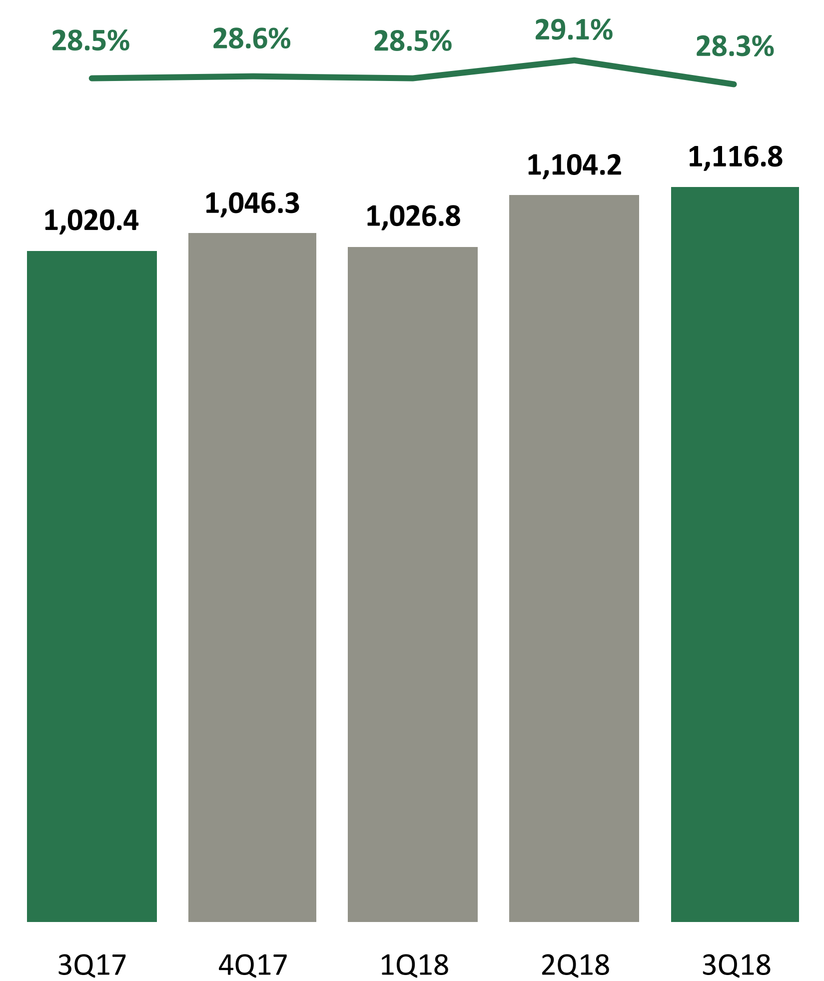
* RD Pharmacies only

GROSS MARGIN AND CASH CYCLE

Gross margin pressure of 0.2 p.p. in 3Q18. Retail margin was up by 0.1 p.p. while 4Bio pressured by 0.3 p.p.
Receivables pressured due to calendar effect in September and higher penetration of credit and debit cards.

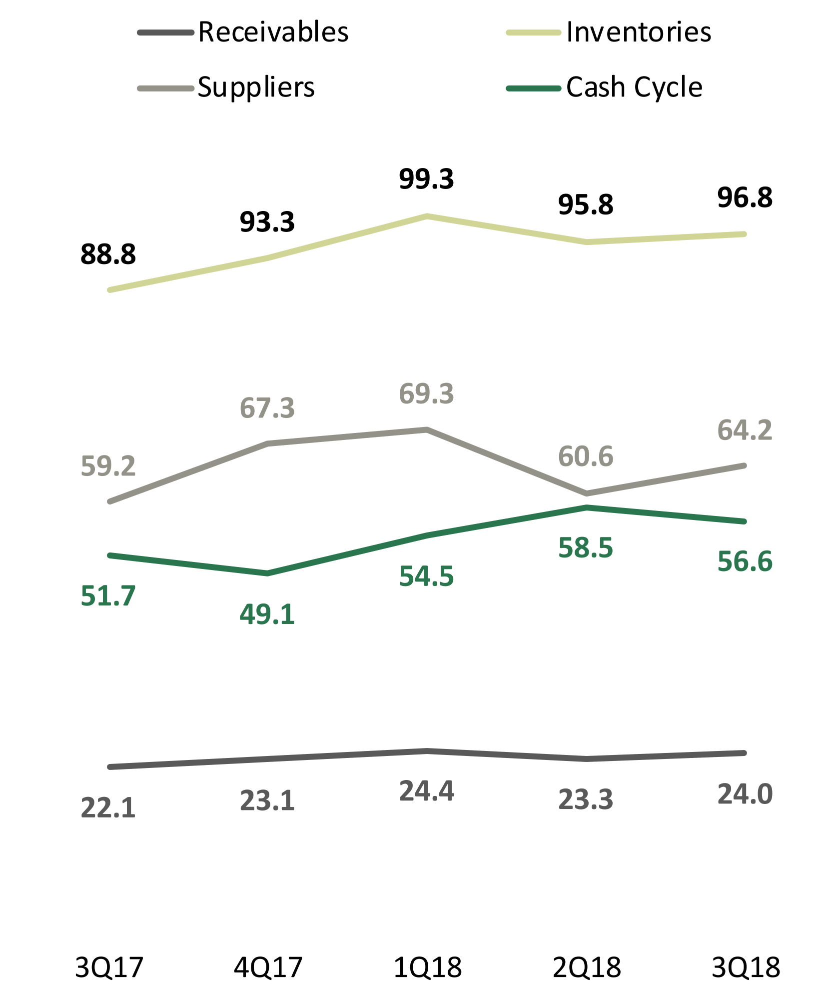
Gross Margin

R$ Million, % of Gross Revenues



Cash Cycle*

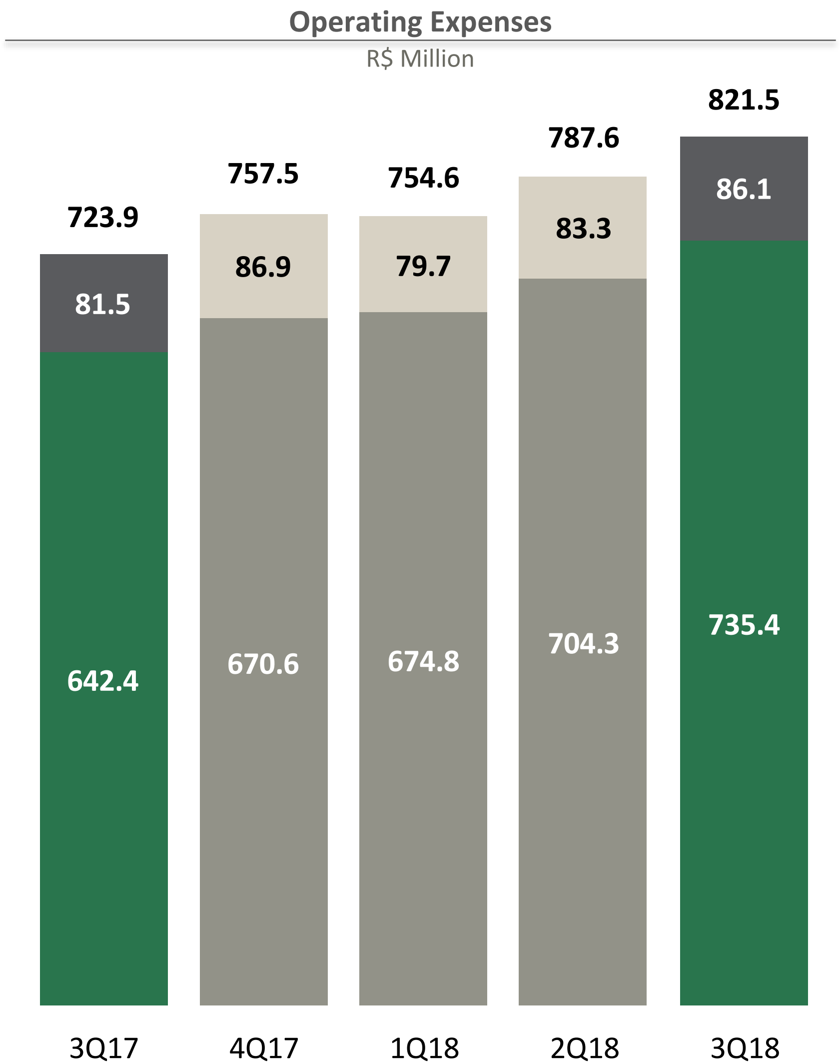
COGS Days, Gross Revenues Days

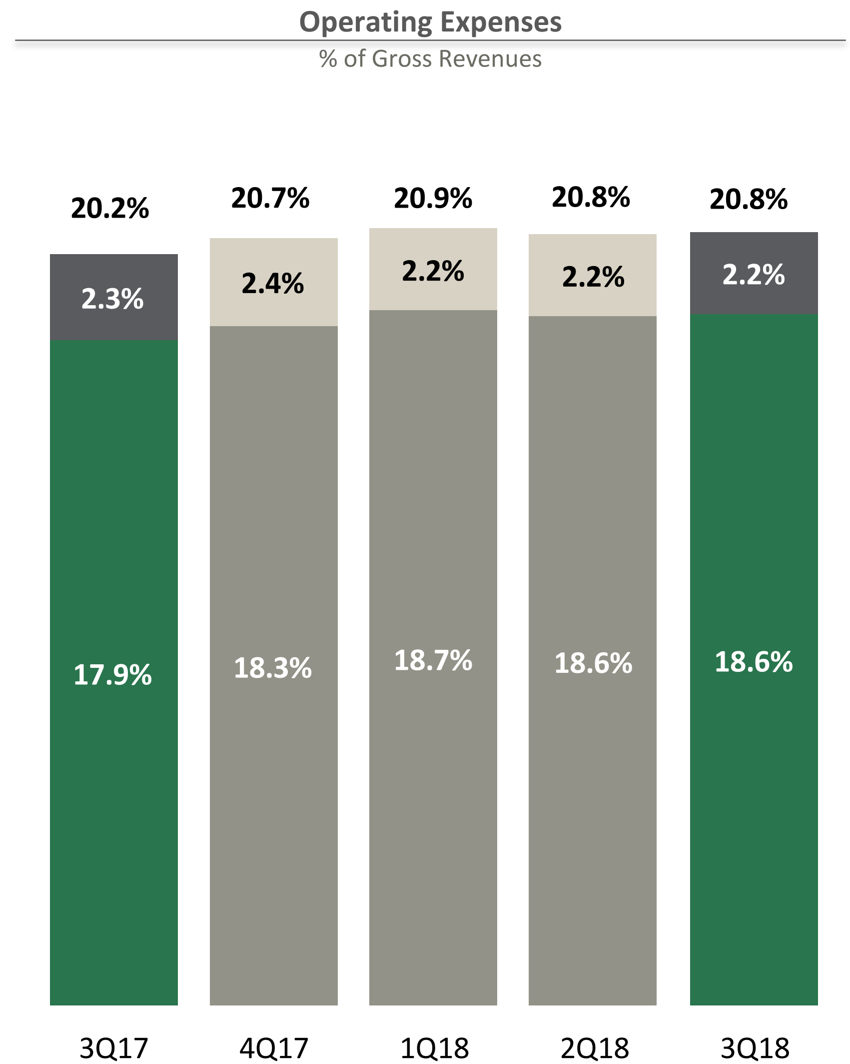


* Adjusted to discounted receivables.

SELLING EXPENSES PRESSURED BY 0.7 P.P., MOSTLY DUE TO THE VERY STRONG COMP BASE OF THE 3Q17, WHICH WAS 0.4 P.P. BELOW 4Q17. G&A DILUTED BY 0.1 P.P.

Personnel expenses were pressured by 0.3 p.p., rentals by 0.2 p.p., while logistics and electricity pressured by 0.1 p.p. each, partially offset by 0.2 p.p. dilution from 4Bio. New stores and pre-operating expenses pressured by 0.2 p.p.





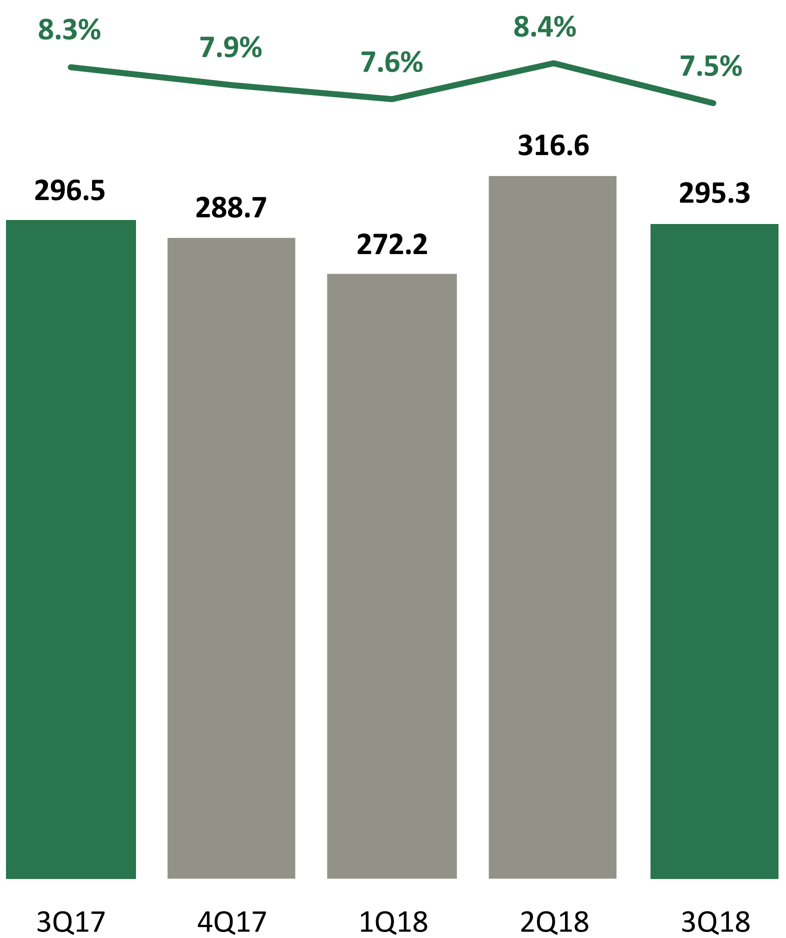
Selling Expenses General & Administrative Expenses

EBITDA TOTALED R$ 295.3 MM, WITH 7.5% MARGIN

Margin pressure of 0.8 p.p. Gross margin pressured by 0.2 p.p. and SG&A expenses pressured by 0.6 p.p. on weaker sales growth and a low selling expense comp base of the 3Q17, which was 0.4 p.p. better than in 4Q17.

Adjusted EBITDA

R$ Million, % of Gross Revenues



1,598* stores operating since 2017:
(performance in the 3Q18)

- R$ 3.8 billion of Gross Revenues
- R$ 306.8 million of EBITDA
- EBITDA margin of 8.1%

RD Pharmacies

- R$ 291.0 million of EBITDA
- EBITDA margin of 7.8%

4Bio

- R$ 4.2 million of EBITDA
- EBITDA margin of 2.1%

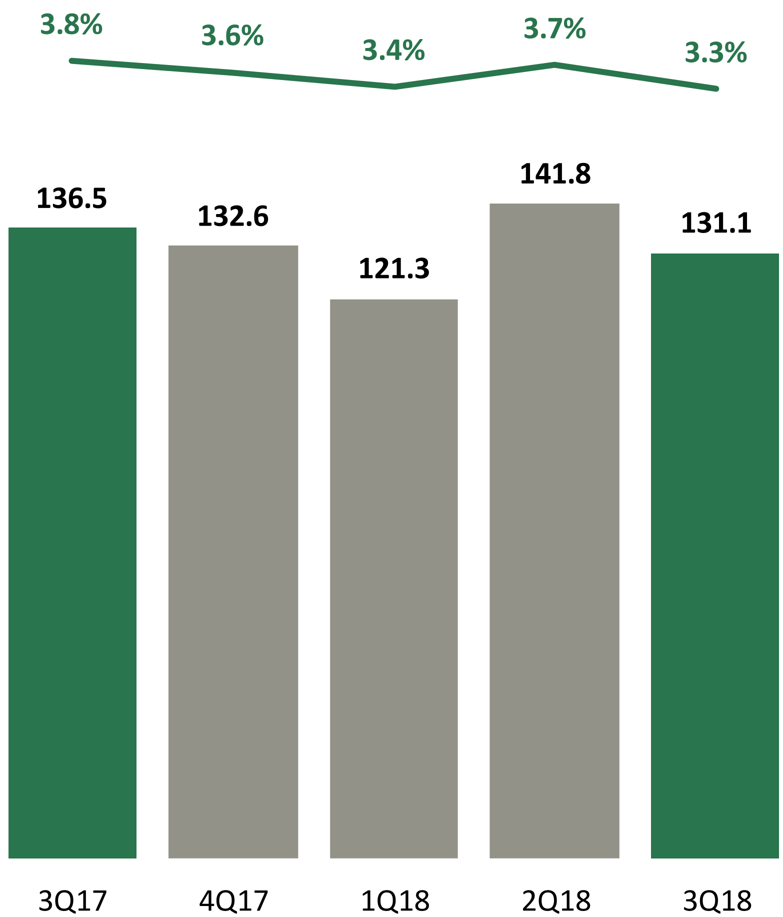
* 1610 stores by the end of the 4Q17 less 12 stores closed.

NET INCOME TOTALED R$ 131.1 MILLION IN THE 3Q18

Net margin of 3.3%, a decrease of 0.5 p.p. We recorded R$ 3.5 MM in non-recurring net expenses, which included R$ 2.2 MM related to our Strategic Planning and R$ 1.3 MM to the write-off of 4 Farmasil stores.

Adjusted Net Income

R$ Million, % of Gross Revenues



Non-recurring Revenues / Expenses

R$ Million

Non-Recurring Revenues / (Expenses)	3Q18
(R$ million)	
Expenses related to the Strategic Planning	(2.2)
Asset Write-off - Farmasil	(1.3)
Total	**(3.5)**

FREE CASH FLOW OF R$ 0.7 MILLION

Total cash generation of R$ 1.4 million.

Cash Flow	3Q18	3Q17	YTD '18	YTD '17
(R$ million)				
Adjusted EBIT	**189.7**	**209.7**	**582.3**	**595.8**
NPV Adjustment	(12.7)	(17.0)	(33.8)	(49.3)
Non-Recurring Expenses	(3.5)	-	(9.7)	(2.2)
Income Tax (34%)	(59.0)	(65.5)	(183.2)	(185.1)
Depreciation	105.5	86.8	301.8	245.8
Others	4.5	3.2	6.6	23.4
Resources from Operations	**224.6**	**217.1**	**664.0**	**628.4**
Cash Cycle*	(39.1)	30.7	(362.3)	(365.2)
Other Assets (Liabilities)**	6.9	45.7	11.4	98.4
Operating Cash Flow	**192.4**	**293.6**	**313.0**	**361.6**
Investments	**(191.7)**	**(191.4)**	**(482.1)**	**(479.7)**
Free Cash Flow	**0.7**	**102.1**	**(169.0)**	**(118.1)**
Interest on Equity	(0.0)	(0.0)	(87.2)	(85.2)
Income Tax Paid over Interest on Equity	(7.1)	(6.9)	(14.2)	(14.0)
Net Financial Expenses***	(14.8)	(14.7)	(34.4)	(42.3)
Share Buyback	-	-	(46.9)	-
Income Tax (Tax benefit over financial expenses and interest on equity)	22.7	22.3	63.9	65.7
Total Cash Flow	**1.4**	**102.8**	**(287.9)**	**(193.9)**

*Includes adjustments to discounted receivables.

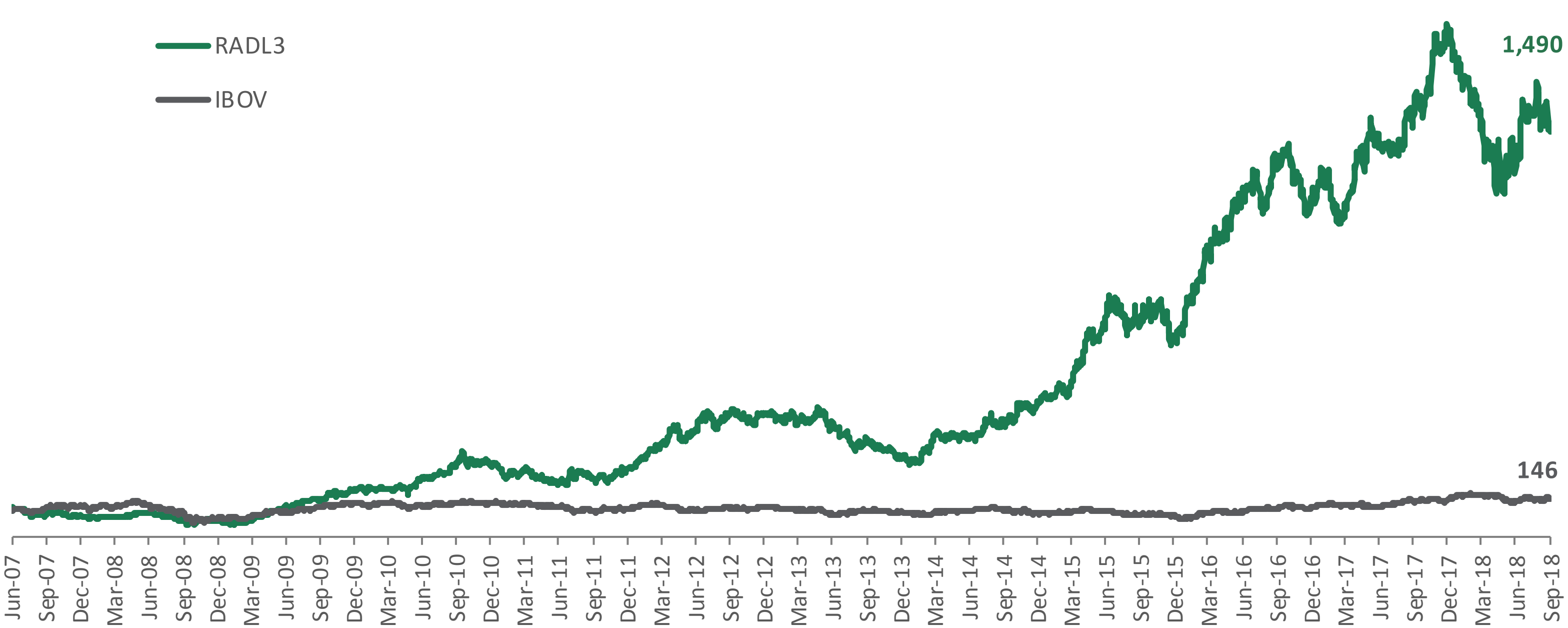
**Includes tax shield from goodwill amortization and NPV adjustments.

***Excludes NPV adjustments.

SHAREHOLDER RETURN

Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,390.3% with an average annual return of 27.6%. Considering the IPO of Raia, the average annual return was 28.6%.

Share Appreciation



Performance in 2018

RADL3: -20.1%
BOVESPA: 6.5%
Alpha: -26.6%
Average Trading Volume RADL3: R$ 83.8 MM

Increased competition and Generics' price deterioration will accelerate industry consolidation

- The market has experienced a generics average price reduction since the beginning of the year, which has dragged market growth in terms of value;
- We have made significant investments in a cheaper gareneric mix and in higher selling discounts, which is driving a significant volume growth, while defending our overall retail gross margins;
- The increased competition in the Generics, combined with a store opening peak of irregular quality, has brought significant margin erosion and cash burning to several industry peers, amplifying our margin edge;
- We are already seeing a deceleration in their store openings and an acceleration in closures, which we believe will be magnified in 2019. This should allow us to accelerate industry consolidation.

Expansion quality remains excellent

- Since 2016, we have decentralized our expansion, leveraging our unique national expansion platform;
- We have entered in Pará, our 22nd state, where we already have 15 stores in 6 cities. We should reach 20 stores by year-end and more than 30 in 2019, allowing us to become one of the two regional leaders;
- The new stores opened in the year have shown great initial results and similar projected returns when compared to our historic standards.

WHY?

Taking Close Care of People's Health and Well-being during all Times of their Lives

WHAT?

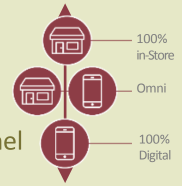
Improve shopper experience and maximize customer value

Store Expansion
- **1** Traditional Format
- **2** Low Income Format

Customer Acquisition
- **3** Growing Univers
- **4** Digital Marketing

Loyalty and Omnichannel

- **5** Omnichannel Journey



- **6** Loyalty Program and CRM

Monetization
- **7** Pricing
- **8** Private Label

Health Extension
- **9** Health Services
- **10** Growing 4Bio Profitably

HOW?

A - Customer at the center of the business

C - Leadership and Talents

B - Digital Transformation

D - Sustainability

NEW STRATEGIC PLANNING – MAIN HIGHLIGHTS

Digital Initiative: Leveraging mobile technology to improve customer loyalty and experience

- **Omnichannel:** seamless customer journey combining digital and the stores to remove pain-points of the shopping experience
- **Loyalty and CRM:** increase purchasing frequency and share of wallet through analytics and personalization
- **Customer centricity:** leveraging customer intelligence to understand the customer journey and boost the shopping experience
- **Digital transformation:** implement a culture of innovation based on agile teams and analytics

Low Income Expansion: Upgrading Farmasil to a full-fledged popular model powered by the Drogasil and Raia brands

- **Larger Store Size:** stores will have from 120 to 140 m2 and much higher visibility;
- **Enhanced Value Proposition**: full front-store offering, focused on popular brands and private label with strong promotional focus
- **Strong Generics Focus:** cheaper product mix and aggressive discounting that combine traffic generation with profitability;
- **Lean Operating Model:** same operating model of Farmasil (short store hours, lean cost structure, payment at pharmacy counter)
- **Asset Light Format**: lower capex (no-frills visual identity) and low working capital (focus on generics and cash transactions)
- **High Expected Returns**: same of traditional format assuming revenues in between those of Farmasil and the traditional stores
- **Immediate Implementation**: already part of the expansion program for 2019 and beyond

2018 Earnings

- **4Q:** February 26th, 2019

Scheduled Investor Conferences

- November 13th and 14th: **Annual CEO Conference**, Bradesco (New York)
- November 28th and 29th : **Brazil Opportunities Conference**, JP Morgan (São Paulo)
- January 7th and 8th : **Annual Healthcare Conference**, JP Morgan (San Francisco)
- January 16th to 18th : **Annual LATAM Conference**, Santander (Cancún)